

**Managed Risk Medical Insurance Board  
Minutes of October 22, 2003, Meeting**

Board Members Present: Cliff Allenby, Areta Crowell, Ph.D.,  
Virginia Gotlieb, M.P.H., Sandra Hernández, M.D.

Ex Officio Members Present: Jack Campana, Ed Mendoza

Staff Present: Lesley Cummings, Joyce Iseri, Laura Rosenthal,  
Lorraine Brown, Irma Michel, Tom Williams, Stuart  
Busby, JoAnne French, Dennis Gilliam, Vallita Lewis,  
Mercedes Kneeland, Mauricio Leiva, Ernesto  
Sanchez, Teresa Smanio

**REVIEW AND APPROVAL OF MINUTES OF SEPTEMBER 24, 2003, MEETING**

A motion was made and unanimously passed to approve the minutes of the September 24, 2003, meeting.

**LEGISLATIVE UPDATE: END OF SESSION REPORT**

Teresa Smanio reviewed bills that have been chaptered since the last Board meeting. None of the bills on the list staff is following have been vetoed. She noted a correction in the summary of AB 1762: babies born to AIM mothers will be enrolled in HFP if the mother is enrolled in AIM after June 30, 2004, (not January 30). Chairman Allenby asked if there were any questions or public comment; there were none.

**SB 2: NEXT STEPS**

Lesley Cummings reported on SB 2 (Burton & Speier). Since the Board's last meeting, the measure had been signed into law. This bill, known as the State Health Insurance Act of 2003 (the "Act"), obligates MRMIB to develop a health insurance pool for workers of employers with more than 50 employees. The workers' coverage will be funded from fee revenue collected by EDD from employers who pay the fee rather than provide the coverage themselves.

Ms. Cummings presented to the Board a (draft) list of topics needing in-depth exploration prior to designing the pool. (The list is available on MRMIB's web site, [www.mrmib.ca.gov](http://www.mrmib.ca.gov), under "SB 2.") The list is being presented for public comment and will be finalized at the Board's November 19 meeting. Once finalized, staff will be looking to community resources for assistance in drafting discussion papers. Ms. Cummings reviewed each of the topics on the list.

Dr. Crowell noted that SB 2 requires the pool to be operational for large employers on January 1, 2006. She asked how far in advance of this deadline MRMIB would need to be ready. Ms. Cummings said that MRMIB would need to be ready at least four months before the deadline and that several activities requiring considerable resources would need to begin very soon to meet that timeframe. These include such items as infrastructure at EDD, and selection of an administrative vendor who will need considerable time to construct a system compatible with EDD. Dr. Crowell expressed concern that tasks would have to be accomplished without additional staff or resources.

Ed Mendoza acknowledged the topics list was a great start and asked if the topics could be prioritized. Ms. Cummings said that generally the topics were inter-dependent, but that it might be possible to deal with a few (such as premium assistance) separately. Mr. Mendoza asked if development of paper of the topics needed to occur immediately. Ms. Cummings replied that MRMIB needed to move quickly to make the January 1, 2006, deadline.

Dr. Hernández asked if premium assistance is a separate issue from the 80/20 employer/employee share of cost. Ms. Cummings said that during negotiations on SB 2 advocates expressed concern that low-income children would end up with employer-sponsored coverage with less benefits than HFP or Medi-Cal. The premium assistance provision was included to provide a means to maintain the wider level of benefits.

Dr. Hernández agreed the topics list was pretty thorough and asked if it would be helpful to work backwards from the January 2006 implementation date to come up with a specific timeline to establish the order in which operational or infrastructure issues need to be addressed. Ms. Cummings replied that staff had developed a timeline, but had not brought it to the meeting. Dr. Hernández asked that this timeline be distributed at the next Board meeting.

Chairman Allenby said it did not seem possible to be ready by January 2006 without the necessary resources. Ms. Cummings replied that while resources certainly would be necessary, the topics on the list were issues that the Board will have to figure out to even begin designing the program. Given active opposition to SB 2, it is possible that the statute would not be implemented. But, by attempting to make progress on the conceptual design, the Board could make a contribution to the thinking about the “pay or play” approach as well as attending to the statutory obligation conferred on it by SB 2.

Dr. Crowell asked if the community would be invited to submit ideas. Ms. Cummings replied that soliciting assistance from experts in the field is one way to develop the pool despite the lack of resources. Expertise would be needed in both theoretical and operational arenas. Dr. Crowell said a lot of people would be interested in seeing this program accomplished and submitting papers. She would welcome those suggestions.

Jack Campana commented on the complexity of issues, including equality of coverage, and cut-backs in jobs and/or hours and wages to avoid compliance. Dr. Hernández said the efforts required of the Board by SB 2 are consistent with the Board’s mission, and

as such, the Board should do its best to comply. She said much of the expertise in policy and operation will come from the industry. She cautioned that care be taken to obtain the best expertise while avoiding any conflicts of interest. She also expressed concern about preventing any negative impact on the existing programs which are currently working well. She noted that there has been a lot of interest in expanding coverage.

Chairman Allenby asked if there were any questions or public comment.

Beth Capell, speaking on behalf of Health Access, said the enactment of SB 2 is a momentous occasion. She thanked the staff and the Board for the technical assistance provided during drafting of the bill. She agreed with Dr. Hernández that implementing SB 2 is consistent with the mission of MRMIB. The past work of the Board had helped put a number of policy reforms in place that make it more possible to accomplish SB 2. Thus, the Board earned this burden as result of its prior accomplishments. The draft list distributed at the meeting is a good beginning and one on which she will comment further at a later time.

Ms. Capell indicated that she wanted to make a few general notes. Advocates are aware that MRMIB lacks sufficient staff and resources, but are committed to working with MRMIB, the new administration, and the legislature to fight for a larger budget for the department. There are over 200 consumer groups involved in the issue of accessible health care. January 2006 seems so far away, but not when looking at all the steps involved. An implementation timeline would be useful to advocates as well as to the Board as it would be helpful with education effort.

Ms. Capell expressed concern over the possibility that the pool coverage might have high deductibles stating that this would make coverage unaffordable to low- and moderate-income workers. The list contains a topic concerning affordability of coverage for employers of low-wage workers. (Employers would pay more than 80% for these workers.) Many employers of low-income workers have more than adequate resources to pay for this coverage. There are a number of different views about what size the pool should be. Her clients see the pool as playing a role in the market like the State Compensation Insurance Fund (SCIF) plays in the worker's compensation market. Ms. Capell acknowledged Ms. Cummings' concern regarding the pool's administrative costs, but indicated that these costs would go down as the program grows. She also described that low-income workers whose employers selected the pool could, if eligible, volunteer to enroll directly into public programs while those getting coverage in the private market could elect to use premium assistance. The bill was written to ensure that the employer not obtain information about a given employee's potential eligibility for a public program. She noted that she had been involved in the drafting of SB 2 and offered her assistance in clarifying any question on legislative intent that the staff and Board might have.

Chairman Allenby remarked that the enactment of any major piece of legislation produces unintended consequences, or issues unknown at the time of drafting.

Chairman Allenby paused to recognize Soap Dowell in the audience, a former member of MRMIB and a long-time advocate for universal health coverage. Mr. Allenby referred to him as the “Godfather of Universal Access.”

Vivian Huang, California Primary Care Association (CPCA), acknowledged that Ms. Cummings’ topic list is comprehensive. CPCA’s clinics see a large population of low income uninsured people and CPCA wants to maintain a relationship with the population as it enters into employer-sponsored coverage. CPCA requests that the Board give high priority to plans that contract with traditional and safety net providers. CPCA also requests that copays and deductibles be kept affordable and that there be effective coordination with public programs. They serve a lot of people on Medi-Cal and in HFP. She expressed concern about dental benefits not being included in SB 2.

Patricia Lynch, Kaiser Permanente, said they supported the framework of SB 2. She agreed the first draft of the list of topics is excellent. Kaiser has supported universal access for years and is eager to assist the Board in working through the many implementation issues that await. Chairman Allenby assured her that the Board would take Kaiser up on their offer of help.

Liz Doyle, California Labor Federation, said the Federation was a co-sponsor of SB 2. She commended Ms. Cummings and the staff for development of an excellent beginning list. They are eager to work with staff in assisting with implementation. They will provide a list of the experts they worked with in drafting the legislation.

Angela Gilliard, Western Center on Law and Poverty, said the Western Center represents over 1,000 advocates interested in seeing that people are able to access health services. Western Center expressed concern during SB 2 negotiations about the interface between employer-sponsored coverage and public programs. SB 2 should be in alignment with current programs and not a replacement for them. She expressed concern that deductions from paychecks by Medi-Cal is illegal, and noted that the same legal requirements are not in place in HFP. Premium assistance must ensure that reimbursement coincides with payroll deductions. They want to make sure the people who are supposed to be served get what they need, and that children in HFP do not lose dental and vision coverage. The list of topics was an excellent place to start. Chairman Allenby told her they were always welcome to give comments.

Shane Gusman, Law Offices of Barry Broad, indicated that he agreed with the comments made by Beth Capell. SB 2 is a daunting task that needs to be done. His office represents three unions currently on strike due to the lack of access to affordable health care, which has become an extremely important issue. He pointed out that while affordability for employers is an issue, low wages are not necessarily the criteria to assess affordability on the part of employers. There are a number of other criteria that should be considered and he would be happy to work with staff on this issue.

Chairman Allenby acknowledged this is a very important issue and that the Board is ready, willing, and able to pursue it. He asked (former Board member) Soap Dowell if

he had anything to add. Mr. Dowell said that after listening to all that has been said, the Nike slogan comes to mind: "Just do it."

## **HEALTHY FAMILIES PROGRAM (HFP) UPDATE**

### **Enrollment and Single Point of Entry (SPE) Reports**

Ernesto Sanchez reported there were 694,000 children enrolled in HFP as of October 22, 2003. He reviewed enrollment data that included the ethnicity and gender of subscribers, and the top five counties of enrollment. The SPE has processed 1,084,101 cumulative applications to date.

Dr. Crowell asked for an update on the Outreach Workgroup aka "Stone Soup Group," and also asked for a report on the number of applications being received that are incomplete. Irma Michel said there is now a higher rate of applications being done without the assistance of certified application assistants (CAAs), with a resulting increase of as much as 75% in incomplete applications. She will report on the Outreach Workgroup after the Workgroup meeting on November 4.

Ms. Gotlieb asked if enrollment has been declining recently. Mr. Sanchez replied that enrollment has been slowing down the last couple of months, and that staff would like to see a least another month of data before concluding that the slow-down was not just a random or seasonal phenomena. He noted that a reduction in enrollment was possible because of the cessation of the media campaign, the loss of outreach funds to community groups and schools and the elimination of the application assistance fee. A number of community-based organizations have continued to provide application assistance in the absence of a fee. Ms. Gotlieb requested that these groups be spotlighted and thanked for their contributions in these tough budget times. She asked staff to continue to monitor enrollment. Chairman Allenby asked if there were any questions or public comment; there were none.

### **Administrative Vendor Performance Report**

Ernesto Sanchez presented the Administrative Vendor Performance Report for September. Electronic Data Systems (EDS) is currently the administrative vendor for HFP and SPE. EDS met all seven performance standards for HFP and all four performance standards for SPE. Chairman Allenby asked if there were any questions or public comment; there were none.

### **Administrative Vendor Transition Status**

Lesley Cummings reviewed the work plan for the administrative vendor transition. She pointed out the many tasks that have been accomplished since the last Board meeting. She also noted those areas of the plan that had had date changes. Due to the complexities of translating EDS enrollment data (from an IBM mainframe environment) into a format compatible with the MAXIMUS system, the timeframe to complete data conversion testing has been delayed from 9/30/03 to 10/31/03. Additionally, MRMIB will

make its assessment on MAXIMUS' readiness to fully operate by 1/1/04 on 11/10/03, rather than the originally scheduled 10/30/03 to allow for time to review test results. The critical input for assessing system operations will come from the results of a variety of tests scheduled to occur in late October/early November.

Ms. Cummings asked Randy Fritz from MAXIMUS to discuss transition progress. Mr. Fritz reported that MAXIMUS had recently conducted a very successful job fair. The first weekend successfully brought in over 400 applicants on each day, many of whom were highly qualified, some of whom work on HFP at EDS. Because the first job fair brought in twice as many applicants as there were positions, they cancelled the second job fair. MAXIMUS will ultimately have 580 people on staff, three-fourths of whom will be frontline, production positions.

The next step is training – the training modules are set to go. Development of the facility is a month ahead of schedule. They were able to conduct training at the facility instead of off site.

Mr. Fritz said the glitches that have occurred are due to the complexity of the systems. Testing is doing exactly what it is designed to do: find the bugs and work them out. The “bug log” indicates glitches are relatively minor and are quickly cleared up. One of the biggest challenges in the transition will be converting the data from EDS to MAXIMUS. Progress leading up to this point has gone well. There will be a report at the next meeting on how the conversion went.

The last big step in the transition will be the final phase-out. Mr. Fritz acknowledged MRMIB staff for wisely breaking this into six to eight components with a highly detailed breakdown of tasks to be accomplished by the end of the year. Ms. Gotlieb asked if the translation software (translating data from EDS systems to MAXIMUS systems) has been working well. Mr. Fritz replied that the function the translation software was utilized for was successfully accomplished a few months ago. This was no small accomplishment given the dramatic differences in technology and the fact that MAXIMUS is developing its systems all at once whereas EDS developed theirs in layers over time. Ms. Cummings added that staff is testing to see if the business rules have worked. This provides an opportunity to make changes where needed and to ensure consistency and standardization.

Dr. Crowell commented on how well the transition is going remarking that a two-week slippage in a project of this scope is pretty good. The Board looks forward to a positive report next month. Chairman Allenby asked if there were any questions or public comment; there were none.

### **Health, Dental, and Vision Pan and State Supported Services Model Contract Extensions and Amendments for 7/1/04 through 6/30/05**

Joyce Iseri presented the final draft of the model health, dental, and vision contracts for 2004-05 for the Board's approval. Because of the plan rate freeze enacted in the

budget for 2004-05, staff is recommending extending the contracts for one year instead of reprocurring as had been originally planned.

Following the last Board meeting, plans provided comments on the first draft in two areas. First, some health plans objected to extending from 30 days to 60 days the time period MRMIB staff has to review marketing materials. If MRMIB does not disapprove the material within 60 days, it will be deemed approved. Ms. Iseri said given the reduction in staff and the volume of work load, the additional review time is needed. Moreover, the contract amendments rescind language allowing MRMIB to subsequently disapprove material that has been deemed approved.

Secondly, some plans asked that a contractual provision requiring a plan's providers to meet certain linguistic service standards be modified to instead allow a plan to show due diligence in having its providers meet the standards. Since this is a sensitive area that warrants more input from both plans and advocates, staff recommends the current provision remain intact, particularly in light of the recent enactment of SB 853. This bill requires the Department of Managed Health Care (DMHC) to develop regulations governing the delivery of cultural and linguistically appropriate services. Lorraine Brown and her staff in the benefits unit will continue working with concerned parties on the issue of cultural and linguistic services. Dr. Hernandez asked why plans were raising this issue at this time. She emphasized these services constituted a quality of care issue, and providing appropriate cultural and linguistic services at the point of care was critical. Chairman Allenby agreed. Lorraine Brown stated that staff has been meeting with plans and advocates on various cultural and linguistic issues, such as a group needs assessment, in an effort to give plans more flexibility in meeting requirements while maintaining standards. Mr. Mendoza indicated that HFP has set a standard for addressing the area of cultural and linguistic competency, one on which DMHC was building. He urged staff to maintain HFP's pioneering efforts in the area. Plans need to be more sensitive now due to the pending DMHC regulatory changes.

Dr. Crowell added that while she understands the rate freeze (and corresponding decision not to reprocur contracts) makes it difficult to incorporate all of the Quality Improvement Work Group's (QIWG) suggestions into plan contracts, she wanted to express her disappointment for the record. She encourages plans to take steps to move forward in such areas as asthma, diabetes and other children's chronic health conditions.

Ms. Iseri reviewed the contract amendments that were included in the plan contract extensions. Besides including a new HEDIS<sup>®</sup> measure on chemical dependency services utilization, the amendments encourage NCQA accreditation, despite its not being required. These were recommended by the QIWG. MRMIB will also monitor plans' performance based on HEDIS<sup>®</sup> and other measurements and may request a corrective action plan if needed.

Ms. Iseri reported that in conducting reviews of plans, MRMIB's actuary, PricewaterhouseCoopers, found that several plans do not regularly reconcile plan

enrollment with enrollment reported by EDS (the current administrative vendor). EDS makes the data available to the plans via a website (as will the successor administrative vendor). Dr. Hernández said that routine reconciliations were a good business practice. She suggested that the contract extensions include language requiring plans to regularly perform the reconciliations.

Dr. Hernández made a motion to approve the extension of all the HFP health, dental, vision, and state supported services contracts with the staff's proposed amendments, with the additional instruction to staff to include a provision in the model contract requiring periodic reconciliations of health expenditures against HFP eligibility data. The motion was unanimously passed.

### **Rural Health Demonstration Project Solicitation**

Mauricio Leiva presented the final Rural Health Demonstration Project Solicitation. A draft had been presented at the September 24 Board meeting at which time comments were requested from all interested parties. Mr. Leiva highlighted the comments received from interested parties since the last meeting and the corresponding revisions to the solicitation package, along with some changes to the format of the contract itself. He noted that due to problems in obtaining final maps documenting rural areas, MRMIB would like plans contemplating responding to the solicitation to contact MRMIB to assure that their proposed projects are, in fact, located in rural areas.

He announced that a bidders' conference will be held at MRMIB on Monday, October 27, from 2:00 p.m. to 4:00 p.m. December 5 is the due date for proposals; projects are scheduled to begin on February 1, 2004. Staff will present its recommendations to the Board for its approval of proposed projects at the January 28 meeting. A motion was made and unanimously passed to approve the solicitation package.

### **ACCESS FOR INFANTS AND MOTHERS (AIM) UPDATE**

#### **Enrollment Report**

Ernesto Sanchez reported that there are currently 4,217 mothers and 11,028 infants enrolled in the program. He briefly reviewed the enrollment data that included ethnicity, infant gender percentage, and the counties with the highest percentage of enrollment. Chairman Allenby asked if there were any questions or public comment; there were none.

### **MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE**

#### **Enrollment Report**

Ernesto Sanchez reported that there are 7,088 people currently enrolled in the program, of whom 1,308 are new enrollees. As of September 1, 2003, there are 87 on the waiting list serving a post-enrollment waiting period. An additional 139 people



disenrolled since last month pursuant to AB 1401, bringing the total number of 36-month disenrollments to date to 9,336. He briefly reviewed the enrollment data that included top counties of enrollment, age category and gender. Chairman Allenby asked if there were any questions or public comment; there were none.

### **Semi-Annual MRMIP Enrollment Estimate**

Joyce Iseri reported on the enrollment estimate. This estimate is provided every six months by MRMIB's actuary, PricewaterhouseCoopers (PwC), to determine the number of people who can be enrolled given the funding provided for the program. Presently, the cap is 9,990 per month. PwC has estimated that the cap can increase to 11,187 per month on January 1, 2004, while still providing funds needed to cover the state's share of the cost for AB 1401 program graduates. The estimate assumes that 90% of graduates will enroll in a post-graduate product.

Dr. Hernández noted this is the first time there has been an increase in the cap. Dr. Crowell added that there are fewer people on the waiting list. Chairman Allenby said the only downside is the premium costs. Ms. Gotlieb asked if staff would be tracking the retention rate of graduates. Ms. Iseri said retention can be tracked through claims data from health plans offering post-graduate products. Because of the schedule for plans to report fiscal information, next spring will be the first opportunity to examine limited information on the number of graduates enrolling in post-graduate products. The Legislative Analyst is required to submit an evaluation of the AB 1401 pilot program in the fall of 2005, with the pilot scheduled to run through September 2007. Chairman Allenby asked if there were any questions or public comment; there were none.

### **Presentation of Premiums for 2004**

Joyce Iseri presented the report on the premiums that will be charged MRMIP subscribers in 2004. This report is done annually at this time of year. Because MRMIB could not reach agreement with Blue Shield on its PPO premiums, that product will no longer be offered in MRMIP after this year, although the HMO product will continue to be available. Blue Shield PPO members who wish to remain in a PPO may opt for the Blue Cross PPO, which is available in all 58 counties. The average rate increase across all plans is 12.3%, compared to 25% last year. Chairman Allenby asked if there were any questions or public comment; there were none.

There being no further business to come before the Board, the meeting was adjourned. The next Board meeting is tentatively scheduled for November 19, 2003.